
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 1998

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From ______ to ______

Commission File Number: 0-21044

UNIVERSAL ELECTRONICS INC.
(Exact name of registrant as specified in its charter)

DELAWARE	33-0204817
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1864 ENTERPRISE PARKWAY WEST, TWINSBURG, OHIO	44087
(Address of principal executive offices)	(Zip Code)

330-487-1110
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Number of shares of Common Stock, $.01 par value, outstanding at March 31, 1998	6,366,902

THE INDEX OF EXHIBITS TO THIS QUARTERLY REPORT APPEARS ON PAGE 12

UNIVERSAL ELECTRONICS INC.

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ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED BALANCE SHEET
(In thousands)

ASSETS

	MARCH 31, 1998(1)	DECEMBER 31, 1997	MARCH 31, 1997(1)
Current assets:			
Cash and cash equivalents	$ 471	$ 1,097	$ 680
Accounts receivable	20,437	26,049	17,329
Inventories	16,864	16,639	21,191
Refundable income taxes	5	5	2
Prepaid expenses and other current assets	2,683	1,055	3,482
Deferred income taxes	4,903	5,027	2,156
Assets held for sale	1,729	1,729	--
Total current assets	47,092	51,601	44,840
Equipment, furniture, and fixtures, net	4,071	3,950	6,933
Patents and trademarks	460	460	896
Other assets	470	475	546
Deferred income taxes	4,652	4,652	4,209
Total assets	$ 56,745	$ 61,138	$ 57,424

LIABILITIES AND STOCKHOLDERS EQUITY

	MARCH 31, 1998(1)	DECEMBER 31, 1997	MARCH 31, 1997(1)
Current liabilities:			
Revolving credit facility	$ 4,025	$ 7,237	$ --
Accounts payable	7,113	7,775	7,056
Accrued income taxes	83	101	163
Accrued compensation	746	714	321
Accrued discontinuation expense	3,317	3,929	--
Other accrued expenses	1,887	2,495	2,700
Total current liabilities	17,171	22,251	10,240
Long-term debt	--	--	2,233
Stockholders' equity:			
Capital stock	69	68	68
Paid-in capital	54,811	54,454	54,055
Currency translation adjustment	(94)	(73)	(49)
Accumulated deficit	(11,948)	(12,291)	(6,053)
Cost of common stock held in treasury	(3,264)	(3,271)	(3,070)
Total stockholders' equity	39,574	38,887	44,951
Total liabilities and stockholders' equity	$ 56,745	$ 61,138	$ 57,424

(1) Unaudited

The accompanying notes are an integral part of these financial statements.

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)(Unaudited)

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
Net Sales	$ 18,576	$ 22,380
Cost of sales	11,326	15,623
Gross profit	7,250	6,757
Selling, general and administrative expenses	6,603	7,071
Operating income (loss)	647	(314)
Interest expense	140	99
Interest income	(2)	(5)
Other (income)expenses, net	(41)	24
Income (loss) before income taxes	550	(432)
Income tax (expense) benefit	(207)	151
Net income (loss)	343	(281)
Other comprehensive income (loss):		
Foreign currency translation adjustments	(21)	(24)
Tax benefit related to foreign currency translation adjustments	8	8
	(13)	(16)
Comprehensive income (loss)	$ 330	$ (297)
Net income (loss) per share:		
Basic	$ 0.05	$ (0.04)
Diluted	$ 0.05	$ (0.04)
Weighted average common stock outstanding:		
Basic	6,338	6,313
Diluted	6,650	6,313

The accompanying notes are an integral part of these financial statements.

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)(Unaudited)

	THREE MONTHS ENDED MARCH 31, 1998	1997
Cash provided by (used for) operating activities:		
Net income (loss)	$ 343	$ (281)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	402	478
Deferred income taxes	124	(214)
Issuance of common stock for retirement plan	25	39
Provision for bad debts	95	--
Discontinuation expense	(612)	--
Issuance of treasury shares to directors	12	--
Changes in operating assets and liabilities:		
Receivables	5,517	2,835
Inventories	(224)	17
Other assets	(1,624)	(216)
Payables and accruals	(1,238)	(367)
Accrued income taxes	(18)	(28)
Net cash provided by operating activities	2,802	2,263
Cash used for investing activities:		
Acquisition of fixed assets	(506)	(683)
Trademarks	(16)	(27)
Loan repayments by employees for common stock purchases	--	66
Net cash used for investing activities:	(522)	(644)
Cash provided by (used for)financing activities:		
Short-term debt borrowings	14,819	--
Short-term debt payments	(18,031)	(950)
Proceeds from stock options exercised	327	--
Treasury stock purchased	--	(475)
Net cash provided by (used for) financing activities	(2,885)	(1,425)
Effect of exchange rates on cash	(21)	(24)
Net increase (decrease) in cash and cash equivalents	(626)	170
Cash and cash equivalents at beginning of period	1,097	510
Cash and cash equivalents at end of period	$ 471	$ 680

The accompanying notes are an integral part of these financial statements.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Adjustments

All adjustments, consisting of recurring adjustments necessary for a fair presentation of financial position and results of operations of these unaudited interim periods, have been included in the accompanying financial statements.

Inventories

Inventories consist of the following (in thousands):

	MARCH 31, 1998	DECEMBER 31, 1997	MARCH 31, 1997
Components	$ 4,834	$ 6,479	$ 7,746
Finished goods	12,030	10,160	13,445
Total inventories	$ 16,864	$ 16,639	$ 21,191

Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted net income (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares and dilutive potential common shares outstanding. Dilutive potential common shares for all periods presented are computed utilizing the treasury stock method.

Comprehensive Income

Effective in the first quarter of fiscal 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." This statement establishes for reporting and display of comprehensive income and its components in the Company's consolidated financial statements. Comprehensive income represents the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period, except those resulting from investments by owners and distributions to owners. Total comprehensive income and its components are included in the accompanying Consolidated Statement of Income and Comprehensive Income.

Reclassification

Certain prior year amounts have been reclassified to conform with the presentation utilized in the quarter ended March 31, 1998.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net sales for the 1998 first quarter were $18.6 million, an increase of 12.3% over the net sales of $16.5 million for the same quarter last year, after excluding the net sales of $5.9 million related to the Company's discontinued North American retail business. Net income increased substantially to a first quarter record $343,000 or $0.05 per share (basic and diluted), from a loss of $281,000 or $0.04 per share (basic and diluted) for the first quarter of 1997.

First quarter net sales in the Company's Technology Businesses (subscription broadcasting, OEM and private label) rose 21% to $14.4 million from $11.9 million for the same period last year. The international One For All(R) business posted solid sales growth, up about 10% to $3.5 million from $3.2 million for last year's first quarter. The Company's continuing Retail Business, including both international One For All and Eversafe(R) declined 10% from the year earlier. This was primarily due to the significant sales of garage door openers during the first quarter of 1997.

Gross margins for the 1998 first quarter were 39.0% compared to 30.2% for the same period in 1997. Approximately 4 percentage points of the increase can be attributed to the discontinuation of the Company's lower margin North American retail business. The remaining 5 percentage point improvement is a result of the increase in the subscription broadcast and international One For All businesses.

Selling, general and administrative expenses were $6.6 million in the first quarter of 1998, compared to $6.3 million in 1997, after excluding approximately $800,000 related to the Company's North American retail business. As a percent of sales, selling, general and administrative expenses decreased to 35.5% in 1998 from 38.2% in 1997.

The Company recorded interest expense of approximately $140,000 related to borrowings under its revolving credit line for the first quarter of 1998 compared to approximately $99,000 for the first quarter of 1997. The increase is the result of a higher average outstanding borrowings compared to the same period in 1997.

The income tax expense of approximately $207,000 for the first quarter of 1998 as compared to a benefit of approximately $151,000 for the same quarter of 1997.

BACKLOG

As of the end of the first quarter of 1998, the Company had backlog orders of $16.2 million. This reflects a decrease in orders of 13.8% as of the same date in 1997 when the Company had backlog orders representing $18.8 million in sales. The decrease is primarily due to the reduction of orders from the Company's One For All retail business. Although the Company believes current orders to be firm and expects that substantially all of the backlog will be shipped in 1998, there can be no assurance that such orders will be shipped. The Company further believes that backlog is not a meaningful indicator of its future performance.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of funds are its operations and bank credit facilities. Cash provided from operating activities was $2.8 million for the first quarter of 1998 compared to $2.3 million for the same period in 1997. The improvement in cash flow is principally due to efforts taken by management to reduce accounts receivable balances.

The Company's bank credit facilities include a revolving credit line which is available to fund the Company's seasonal working capital needs and for general operating purposes. This revolving credit facility, which was renewed on April 30, 1998, provides the Company with borrowing availability of $15 million and bears interest equal to the bank's prime rate plus one-quarter percent. The credit facility is secured by a first priority security interest in the accounts receivable, inventory, equipment, and general intangibles of the Company. At March 31, 1998, the interest rate charged on the outstanding balance of this credit line was 8.75%. Under the terms of this revolving credit facility, the Company's ability to pay cash dividends on its common stock and the acquisition of treasury shares is generally restricted, however, the Company has authority under this credit facility to acquire up to 1,000,000 shares of its common stock in market purchases and, to date, the Company has acquired approximately 541,000 shares of stock which it holds as treasury shares and are available for reissue by the company. Presently, except for using a small number of these treasury shares to compensate its outside board members, the Company has no plans to distribute these shares.

Amounts available for borrowing are reduced by the outstanding balance of the Company's import letters of credit. As of March 31, 1998, the Company had utilized approximately $4.0 million of the credit facility for the acquisition of its facility in Ohio, treasury stock purchases and other working capital needs. The Company had approximately $500,000 of outstanding import letters of credit. The Company's borrowing under this revolving credit facility and outstanding import letters of credit fluctuates due to, among other things, seasonality of the business, the timing of supplier shipments, customer orders and payments, and vendor payments.

Capital expenditures in the first quarters of 1998 and 1997 were approximately $506,000 and $683,000, respectively. The 1998 and 1997 capital expenditures related primarily to product tooling and the relocation of the Company's facilities from Ohio to California in 1998 and relocation of the California facility in 1997.

It is the Company's policy to carefully monitor the state of its business, cash requirements and capital structure. The Company believes that funds generated from operations and available from its borrowing capacity will be sufficient to fund its currently anticipated cash needs, however, there can be no assurances that this will occur.

RISKS AND SAFEHARBOR STATEMENT

The Company cautions that the following important factors, among others (including but not limited to factors mentioned from time to time in the Company's reports filed with the Securities and Exchange Commission), could affect the Company's actual results and could cause the Company's actual consolidated results to differ materially from those expressed in any forward-looking statements of the Company made by or on behalf of the Company. The factors included here are not exhaustive. Further, any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Therefore, forward-looking statements should not be relied upon as a prediction of actual future results.

Dependence Upon Key Suppliers
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Most of the components used in the Company's products are available from multiple sources; however, the Company has elected to purchase integrated circuit components used in the Company's products, principally its remote control products, and certain other components used in the Company's products, from single sources. The Company has recently developed alternative sources of supply for these integrated circuit components. However, there can be no assurance that the Company will be able to continue to obtain these components on a timely basis. The Company generally maintains inventories of its integrated chips, which could be used in part to mitigate, but not eliminate, delays resulting from supply interruptions. An extended interruption or termination in the supply of any of the components used in the Company's products, or a reduction in their quality or reliability, would have an adverse effect on the Company's business and results of operations.

Dependence on Foreign Manufacturing
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Third-party manufacturers located in foreign countries manufacture substantially all of the Company's remote controls. The Company's arrangements with its foreign manufacturers are subject to the risks of doing business abroad, such as import duties, trade restrictions, work stoppages, political instability and other factors which could have a material adverse effect on the Company's business and results of operations. The Company believes that the loss of any one or more of its manufacturers would not have a long-term material adverse effect on the Company's business and results of operations because numerous other manufacturers are available to fulfill the Company's requirements, however, the loss of any of the Company's major manufacturers could adversely affect the Company's business until alternative manufacturing arrangements are secured.

Potential Fluctuations in Quarterly Results
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The Company's quarterly financial results may vary significantly depending primarily upon factors such as the timing of significant orders, the timing of new product offerings by the Company and its competitors and product presentations. In addition, the Company's business historically has been seasonal, with the largest proportion of sales occurring in September, October and November of each calendar year. Factors such as quarterly variations in financial results could aversely affect the market price of the Common Stock and cause it to fluctuate substantially. Furthermore, the Company (i) may from time to time increase its operating expenses to fund greater levels of research and development, increase its sales and marketing activities, develop new distribution channels, improve its operational and financial systems and broaden its customer support capabilities and (ii) may incur significant operating expenses associated with any new acquisitions. To the extent that such expenses precede or are not subsequently followed by increased revenues, the Company's business, operating results and financial condition will be materially adversely affected.

The Company expects to experience significant fluctuations in future quarterly operating results that may be caused by many factors, including demand for the Company's products, introduction or enhancement of products by the Company and its competitors, market acceptance of new products, price reductions by the Company or its competitors, mix of distribution channels through which products are sold, level of product returns, mix of products sold, component pricing, mix of international and North American revenues, and general economic conditions. In addition, as a strategic response to changes in the competitive environment, the Company may from time to time make certain pricing or marketing decisions or acquisitions that could have a material adverse effect on the Company's business, results of operations or financial condition. As a result, the Company believes that period-to-period comparisons of its results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance. Due to all of the foregoing factors, it is likely that in some future quarters the Company's operating results will be below the expectations of public market analysts and investors. In such event, the price of the Company's common stock would likely be materially adversely affected.

Dependence on Consumer Preference

The Company is susceptible to fluctuations in its business based upon consumer demand for its products. The Company believes that its success depends in substantial part on its ability to anticipate, gauge and respond to such fluctuation in consumer demand. However, it is impossible to predict with complete accuracy the occurrence and effect of any such event that will cause such fluctuations in consumer demand for the Company's products.

Dependence Upon Timely Product Introduction

The Company's ability to remain competitive in the remote control products market will depend in part upon its ability to successfully identify new product opportunities and to develop and introduce new products and enhancements on a timely and cost effective basis. There can be no assurance that the Company will be successful in developing and marketing new products or in enhancing its existing products, that new products will achieve consumer acceptance and if acquired, will sustain that acceptance, that products developed by others will not render the Company's products non-competitive or obsolete or that the Company will be able to obtain or maintain the rights to use proprietary technologies developed by others which are incorporated in the Company's products. Any failure by the Company to anticipate or respond adequately to technological developments and customer requirements, or any significant delays in product development or introduction, could have a material adverse effect on the Company's financial condition and results of operations.

In addition, the introduction of new products which the Company may introduce in the future may require the expenditure of a significant amount of funds for research and development, tooling, manufacturing processes, inventory and marketing. In order to achieve high volume production of any new product, the Company may have to make substantial investments in inventory and expand its production capabilities.

Dependence on Major Customers

The Company's performance is affected by the economic strength and weakness of its worldwide customers. The Company sells its remote control products and proprietary technologies to private label customers, original equipment manufacturers ("OEMs"), and companies involved in the subscription broadcast industry. The Company also supplies its products to its wholly-owned, non-U.S. subsidiaries and to independent foreign distributors, who in turn distribute the Company's products worldwide, with the United Kingdom, Europe, and Australia currently representing the Company's principal foreign markets. The loss of any one or more of the Company's key customers either in the United States or abroad due to the financial weakness or bankruptcy of any such customer may have an adverse affect on the Company's financial condition or results of operations.

Competition

The remote control industry is characterized by intense competition based primarily on product availability, price, speed of delivery, ability to tailor specific solutions to customer needs, quality and depth of product lines. The Company's competition is fragmented across its product lines, and accordingly, the Company does not compete with any one company across all product lines. The Company competes with a variety of entities, some of which have greater financial and other resources than the Company. The Company's ability to remain competitive in this industry depends in part on its ability to successfully identify new product opportunities and develop and introduce new products and enhancements on a timely and cost effective basis. In addition, as is typical in the Company's industry and the nature and kind of business in which the Company is engaged, from time to time, various claims, charges and litigation are asserted or commenced by third parties against the Company or by the Company against third parties arising from or related to product liability, infringement of patent or other intellectual property rights, breach of warranty, contractual relations, or employee relations. The amounts claimed may be substantial but may not bear any reasonable relationship to the merits of the claims or the extent of any real risk of court awards. While it is the opinion of management that the Company's products do not infringe any third parties' patent or other intellectual property rights, the costs associated with defending or pursuing any such claims or litigation could be substantial and amounts awarded as final judgments, if any, in any such potential or pending litigation, could have a significant and material adverse effect on the Company's financial condition or results of operations.

General Economic Conditions
- ---------------------------

General economic conditions, both domestic and foreign, have an impact on the Company's business and financial results. From time to time the markets in which the Company sells its products experience weak economic conditions that may negatively affect the sales of the Company's products. To the extent that general economic conditions affect the demand for products sold by the Company, such conditions could have an adverse effect on the Company's business. Moreover, operating its business in countries outside of the United States exposes the Company to fluctuations in foreign currency exchange rates, exchange ratios, nationalization or expropriation of assets, import/export controls, political instability, variations in the protection of intellectual property rights, limitations on foreign investments and restrictions on the ability to convert currency are risks inherent in conducting operations in geographically distant locations, with customers speaking different languages and having different cultural approaches to the conduct of business, any one of which alone or collectively, may have an adverse affect on the Company's international operations, and consequently on the Company's business, operating results and financial condition.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) Exhibits

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11.1 Statement re: Computation of Per Share Earnings (filed herewith).	14

(B) Reports on Form 8-K

There were no reports on Forms 8-K filed during the quarter ended March 31, 1997.

(C) Exhibit 27 Financial Data Schedule	15

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

(Registrant) Universal Electronics Inc.

Date: May 14, 1998

\s\Paul D. Arling

Paul D. Arling
Senior Vice President & Chief Financial Officer

Exhibit 11.1

UNIVERSAL ELECTRONICS INC.
COMPUTATION OF PER SHARE EARNINGS

	THREE MONTHS ENDED MARCH 31, 1998	THREE MONTHS ENDED MARCH 31, 1997
Common stock outstanding, beginning of period	6,312,199	6,372,025
Weighted average common stock outstanding from exercise of stock options, treasury stock purchases and employee benefit plan	6,334	(59,352)
Weighted average common stock outstanding - basic	6,318,533	6,312,673
Stock Options	312,281	--
Weighted average common stock outstanding - diluted	6,630,814	6,312,673
Net income attributable to common stockholders	$ 343,903	$ (280,786)
Net income (loss) per share:		
Basic	$ 0.05	$ (0.04)
Diluted	$ 0.05	$ (0.04)

3-MOS
DEC-31-1997
JAN-01-1998
MAR-31-1998
471
0
23,483
(3,046)
16,864
47,092
9,204
(3,403)
56,745
17,171
0
0
0
69
39,505
56,745
18,576
18,576
11,326
6,603
0
98
140
550
(207)
343
0
0
0
343
0.05
0.05